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Miscellaneous Publication No. 718

THE PRICE OF *Beef*



AGRICULTURAL MARKETING SERVICE

U. S. DEPARTMENT OF AGRICULTURE

Washington, D. C., April 1956



What makes the price of beef . . . for you, the consumer . . . and for you, the farmer?

Well, a number of things. There's the supply—the number of cattle on western ranges and in farm feed lots; and the number of these cattle that are marketed for slaughter.

Then, there's the demand for beef—the amount your family and others are willing to pay for the beef they are eating. There are also the underlying costs—the costs of feeding and caring for these cattle, and the costs of marketing them from the farm to the consumer.

Consumers often wonder why beef prices aren't lower, while at the same time farmers wonder why cattle prices aren't higher.

Let's look at some developments reported by the Agricultural Marketing Service in a recent publication, "Beef Marketing Margins and Costs" (Miscellaneous Publication No. 710).

After World War II price controls were removed, prices farmers received for their cattle shot up to record highs. But by the end of 1952 cattle prices started to fall.

Retail beef prices rose and fell at the same time as farmers' prices, although not as sharply.

Retail prices of beef include marketing costs—transportation, slaughtering, processing, labor, equipment costs, rents, taxes, and others—as well as what the farmer gets for live cattle. Farmers' prices for cattle are subject to sharp ups and downs. However marketing costs tend to be fairly constant over short periods, rising less rapidly than cattle prices on the upswing and declining more slowly on the downswing. Actually, in 1955 marketing costs continued to climb while cattle prices slid off.

So with retail prices falling less than cattle prices the spread between the two, or the marketing margin, has been increasing. In the last quarter of 1955, the spread reached a new high and was 19 percent more than in the first quarter of 1955, and 27 percent wider than in the same quarter of 1954, the lowest quarter since 1950.

This resulted in a decrease in the farmer's share of the consumer's beef dollar. The farmer's share has dropped from 75 percent in 1951 to 62 percent in 1955.

We've mentioned the number of cattle, or the supply, as being a factor determining the price of beef. Beef production reached a record high of over 13.5 billion pounds in 1955 . . . an increase of over 40 percent since 1949, while our population increased only 11 percent in the same length of time. Much of the beef increase was brought about by increased supplies of feed at lower prices.

Although consumer income reached a record high in 1955, the price of beef was

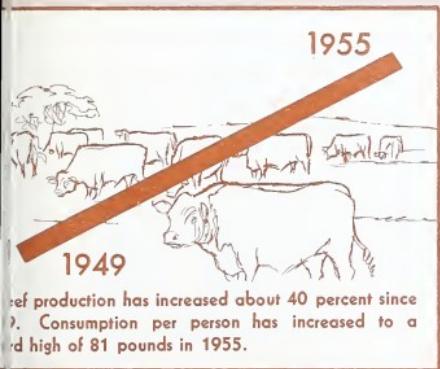
THE FARMER'S SHARE OF BEEF DOLLAR IS DOWN



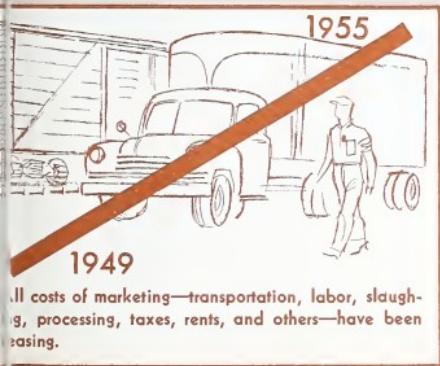
Recent Trends in Beef.

Beef production

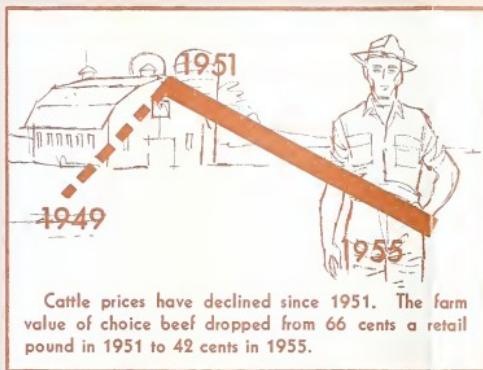
... is up . . .



Marketing costs are up . . .



Farmer's prices for beef cattle are down . . .



Beef costs your family less.



... Make It A Bargain For Your Table



What makes the price of beef . . . for you, the consumer . . . and for you, the farmer?

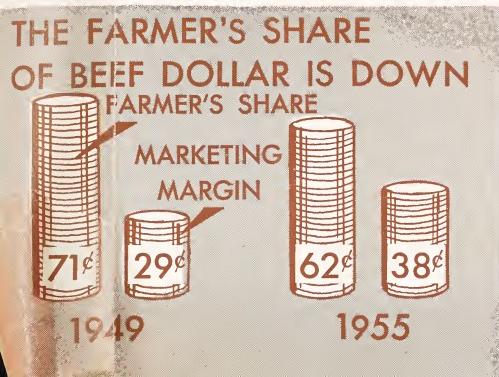
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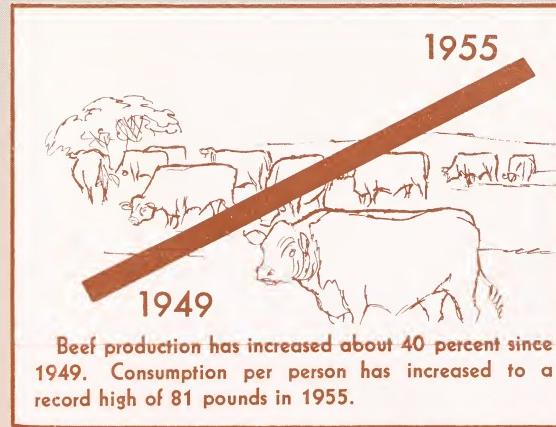
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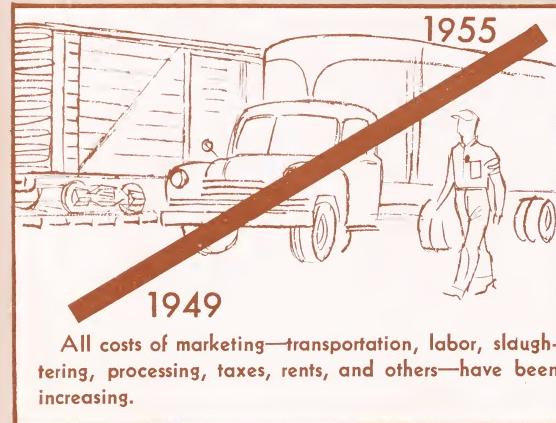


**Beef production
is up . . .**



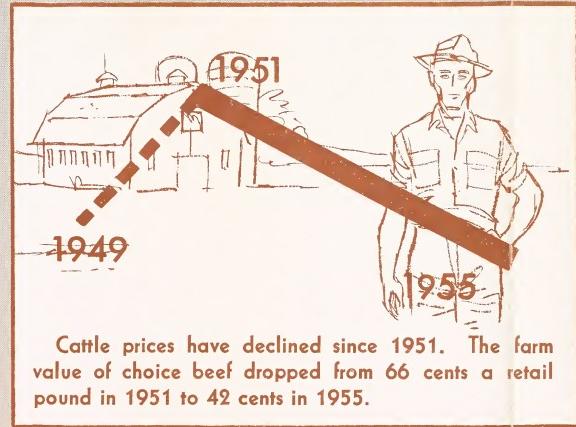
Beef production has increased about 40 percent since 1949. Consumption per person has increased to a record high of 81 pounds in 1955.

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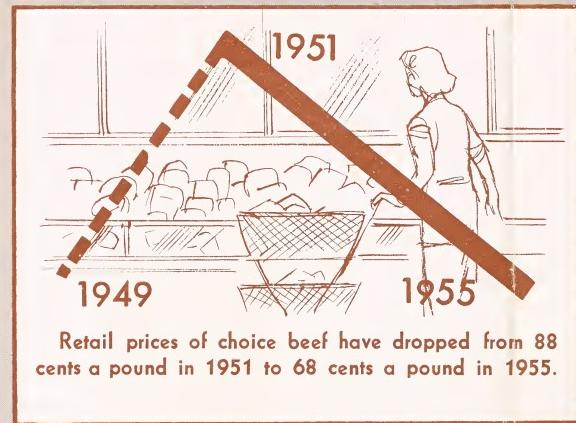
All costs of marketing—transportation, labor, slaughtering, processing, taxes, rents, and others—have been increasing.

**Farmer's prices for
beef cattle are down...**



Cattle prices have declined since 1951. The farm value of choice beef dropped from 66 cents a retail pound in 1951 to 42 cents in 1955.

Beef costs your family less.



Retail prices of choice beef have dropped from 88 cents a pound in 1951 to 68 cents a pound in 1955.

... Make It A Bargain For Your Table

NOT ALL STEER IS STEAK

% of CARCASS

RUMP — 5%

RIB — 8%

CHUCK—19%

ROUND —10%

SIRLOIN— 8%

PORTERHOUSE

T-BONE

CLUB

} 6%

32%

24%

24%

20%

ROASTS

STEAKS

OTHER
EDIBLES

WASTE

Many different retail cuts of beef are obtained from the carcass, and they sell at widely different prices. The more desirable and higher priced steak cuts represent only a small proportion of the total carcass.

about the same as in 1954. This price situation reflects the unusually heavy quantities of beef available to consumers during 1955. Since 1949 less than 3 percent of every dollar spent by consumers was used to buy beef. But, per capita consumption of beef increased from 63 pounds in 1949 to a record high of 81 pounds in 1955. So consumers are eating a lot more beef. But, they're not spending a larger share of their increased income for beef.





